

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

	X	
In re:	)	PROMESA
	)	Title III
THE FINANCIAL OVERSIGHT AND	)	
MANAGEMENT BOARD FOR PUERTO RICO,	)	Case No. 17-03283 (LTS)
	)	
as representative of	)	(Jointly Administered)
THE COMMONWEALTH OF PUERTO RICO, <i>et</i>	)	
<i>al.</i> ,	)	
	)	
Debtors. <sup>1</sup>	)	
	)	
	X	
	)	PROMESA
In re:	)	Title III
	)	
THE FINANCIAL OVERSIGHT AND	)	Case No. 17-03566 (LTS)
MANAGEMENT BOARD FOR PUERTO RICO,	)	
	)	
as representative of	)	
THE EMPLOYEES RETIREMENT SYSTEM OF	)	
THE GOVERNMENT OF THE	)	<b>This Court filing relates only to</b>
COMMONWEALTH OF PUERTO RICO,	)	<b>Debtor Employees Retirement</b>
	)	<b>System of the Commonwealth of</b>
Debtor.	)	<b>Puerto Rico</b>
	X	

**ORDER GRANTING IN PART THE PUERTO RICO FUNDS' MOTION  
CONDITIONING THE AUTOMATIC STAY ON THE CONTINUATION  
OF ERS BONDHOLDER PROTECTIONS OR, ALTERNATIVELY,  
TO ENFORCE THE COURT'S JULY 17, 2017 ORDER**

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<sup>1</sup> The Debtors in these Title III cases, along with each Debtor's Bankruptcy Court case number and last four (4) digits of each Debtor's federal tax identification number are (i) The Commonwealth of Puerto Rico (Bankr. Case No. 17-bk-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481); (ii) The Employees Retirement System of the Government of the Commonwealth of Puerto Rico (Bankr. Case No. 17-bk-3566 (LTS)) (Last Four Digits of Federal Tax ID: 9686); (iii) Puerto Rico Sales Tax Financing Corporation (Bankr. Case No. 17-bk-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (iv) Puerto Rico Highways and Transportation Authority (Bankr. Case No. 17-bk-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808); and (v) Puerto Rico Electric Power Authority (Bankr. Case No. 17-bk-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747).

Upon consideration of the *Puerto Rico Funds’ Motion Conditioning the Automatic Stay on the Continuation of ERS Bondholder Protections or, alternatively, to Enforce the Court’s July 17, 2017 Order*, dated November 28, 2017 (the “Motion”),<sup>2</sup> and it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1331 and 48 U.S.C. § 2166(a); that venue of this proceeding and the Motion in this District is proper under 28 U.S.C. § 1391(b) and 48 U.S.C. § 2167(a); that notice of the Motion was adequate and proper under the circumstances and that no further or other notice need be given; and the Court having heard argument of counsel at the hearing on the Motion held on December 20, 2017 (the “Hearing”); and counsel for Movants having withdrawn without prejudice their request for further deposits into the Post-Petition Segregated Account after October 31, 2017; and after due deliberation and sufficient cause appearing therefore, it is hereby ORDERED that:

1. The Motion is GRANTED IN PART as set forth herein and denied to the extent not otherwise withdrawn.
2. Within two (2) business days from the date of entry of this Order, the ERS shall transfer from the Prepetition Segregated Account to the Fiscal Agent<sup>3</sup> in an amount equal to \$27,753,164.96 (the “December-January Stipulated Payment”) for the payments for the months of December 2017 and January 2018 pursuant to Paragraph F of the Parties’ July 14, 2017 Joint

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<sup>2</sup> These funds include the following: Puerto Rico AAA Portfolio Bond Fund, Inc., Puerto Rico AAA Portfolio Bond Fund II, Inc., Puerto Rico AAA Portfolio Target Maturity Fund, Inc., Puerto Rico Fixed Income Fund, Inc., Puerto Rico Fixed Income Fund II, Inc., Puerto Rico Fixed Income Fund III, Inc., Puerto Rico Fixed Income Fund IV, Inc., Puerto Rico Fixed Income Fund V, Inc., Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc., Puerto Rico Investors Bond Fund I, Puerto Rico Investors Tax-Free Fund, Inc., Puerto Rico Investors Tax-Free Fund, Inc., II, Puerto Rico Investors Tax-Free Fund III, Inc., Puerto Rico Investors Tax-Free Fund IV, Inc., Puerto Rico Investors Tax-Free Fund V, Inc., Puerto Rico Investors Tax-Free Fund VI, Inc., Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc., Tax-Free Puerto Rico Fund, Inc., Tax-Free Puerto Rico Fund II, Inc., and Tax-Free Puerto Rico Target Maturity Fund, Inc.

<sup>3</sup> Terms not otherwise defined herein shall have the meaning ascribed to them in the Joint Stipulation, dated July 14, 2017 [ECF No. 170].

Stipulation, ECF No. 170 (the “Joint Stipulation”). The December-January Stipulated Payment is based on the amount that is the sum of \$13,876,582.48 equal to the contractual interest due and payable on the ERS Bonds for December 2017, plus \$13,876,582.48 equal to the contractual amount interest due and payable on the ERS Bonds for January 2018. Based on the relief requested in the Motion, as soon as practicable and in any event within five (5) business days of receipt of the December-January Stipulated Payment, the Fiscal Agent shall distribute the December-January Stipulated Payment to the registered owner(s) of the ERS Bonds on a pro rata basis, using the applicable interest rate for ERS Bonds that are term bonds and the yield to maturity (as specified in the applicable official statement) for ERS Bonds that are capital appreciation bonds.<sup>4</sup>

3. Commencing with the month of January 2018, and until the earlier of (i) the date the Court renders a ruling with respect to the Parties’ motions for summary judgment in the Declaratory Relief Action (the “Briefing Period”) or (ii) the exhaustion of the funds in the Prepetition Segregated Account, ERS shall continue to follow the requirements set forth in Paragraph F of the Joint Stipulation by transferring from the Prepetition Segregated Account to the Fiscal Agent, no later than 11:59 pm (Atlantic Standard Time) on the 20<sup>th</sup> of each month, in the amount of \$13,876,582.48, equal to the contractual monthly interest due and payable on the ERS Bonds on the first day of the next succeeding month (the “Monthly Stipulated Payments”).<sup>5</sup> On the first day of the next succeeding month, the Fiscal Agent shall distribute the Monthly Stipulated Payments to the registered owner(s) of the ERS Bonds pro rata based on the applicable interest rate for ERS Bonds that are term bonds and the yield to maturity (as specified in the applicable official

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<sup>4</sup> For purposes of calculating the applicable pro rata share for ERS Bonds that are capital appreciation bonds, the Fiscal Agent shall use the January 1, 2018 accreted value set forth on the table appended to the applicable official statement for such ERS Bond.

<sup>5</sup> For the avoidance of doubt, the first transfer to the Fiscal Agent under this paragraph 3 will be made on or before January 20, 2018.

statement) for ERS Bonds that are capital appreciation bonds.

4. Upon the conclusion of the Briefing Period, the Parties' rights will be determined by applicable law.

5. The pro rata distributions as set forth in paragraphs 2 and 3 of this Order shall be made by the Fiscal Agent per \$1,000.00 face amount at maturity of the ERS Bonds with reference to the chart prepared by counsel for the Puerto Rico Funds attached to this Order as **Exhibit A**, as requested in the Motion. The calculations reflected in Exhibit A have not been approved or independently verified by the Fiscal Agent, ERS, AAFAF, or FOMB. ERS, AAFAF, and the FOMB are not responsible for the calculations in Exhibit A, the amounts of payments distributed to bondholders pursuant to Exhibit A, or how the Fiscal Agent distributes payments among bondholders. ERS, AAFAF, and the FOMB expressly reserve all rights, including those stated in paragraph six of this Order.

6. The distribution of the December-January Stipulated Payment and any subsequent Monthly Stipulated Payments pursuant to this Order shall not alter the legal rights of the Parties, or in any way limit the arguments the Parties may make regarding how such payments should be treated under any plan of adjustment involving ERS or as a result of any adversary proceeding involving ERS. The legal characterization of the December-January Stipulated Payment and any subsequent Monthly Stipulated Payments as payments of principal or interest on the ERS Bonds shall be determined by a subsequent order of the Court. All Parties' rights as to the legal characterization and effect of such payments are expressly reserved, including all rights the Parties have previously reserved, including, but not limited to, the rights reserved in the Joint Stipulation. All rights with respect to adequate protection are expressly reserved. All rights are also expressly reserved pending the resolution of all adversary proceedings brought within the Title III cases,

including, but not limited to, the pending proceedings in *Altair, et al. v. ERS, et. al.*, Case Nos. 17-219-LTS, 17-220-LTS.

7. The Fiscal Agent is hereby released and discharged from any and all claims and liability relating to the Fiscal Agent's compliance with orders of this Court concerning receipt of funds from the ERS and distribution of such funds to the ERS bondholders, including without limitation, (a) receipt and distribution of the payment that was due and payable on November 1, 2017, and (b) receipt and distribution of the December-January Stipulated Payment and any subsequent Monthly Stipulated Payments in accordance with this Order.

8. The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

SO ORDERED.

Dated: December 28, 2017

/s/ Laura Taylor Swain  
LAURA TAYLOR SWAIN  
United States District Judge